

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7085

BILL NUMBER: HB 1445

NOTE PREPARED: Jan 12, 2004

BILL AMENDED:

SUBJECT: Prior Authorization Limitation on Asthma Drugs.

FIRST AUTHOR: Rep. Behning

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill prohibits the Office of Medicaid Policy and Planning and a managed care organization from requiring prior authorization on a drug that is used: (1) in an outpatient setting; and (2) for the treatment of a life threatening acute bronchial spasm condition.

Effective Date: July 1, 2004.

Explanation of State Expenditures: This bill would prevent the Office of Medicaid Policy and Planning (OMPP) and a Medicaid managed care organization that operates a drug formulary from requiring prior authorization for prescriptions for fast-acting "rescue" medications for asthma.

The amount of savings from this type of legend drug that may have been already factored into the total estimated savings targeted for the implementation of the preferred drug list is not known. The pharmacy benefit manager (PBM) for OMPP has indicated that a shift from generic to a branded "rescue" medication could have a significant fiscal impact since the brand drug costs three times the cost of the generic. The PBM has estimated that a 30% shift from the generic to the brand-name drug could increase nonmanaged care Medicaid expenditures by \$2 M annually.

The impact of prohibiting prior authorization on the MCO formularies is not known. OMPP has reported that increasing costs within Medicaid managed care organizations (MCOs) has become an issue of more concern to the program. There are new federal regulations that require actuarial soundness for the risk-based managed care capitation rates. This means that cost increases to the MCOs will be passed through the capitation rates faster since the rates must be annually certified to be actuarially sound.

In addition, the Chronic Disease Management program being developed by OMPP in conjunction with the State Department of Health includes asthma as a condition targeted for ongoing patient management using

proven best practices to achieve lower costs with improved patient outcomes. The impact of this bill, if any, on the estimated cost savings targeted for the Chronic Disease Management program is not known at this time.

Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Recipient copayments for these prescriptions are equal for generic or branded drugs (\$3) and should only be an issue for certain adults since copayments are prohibited for children's prescriptions. Indiana statutes also require participation in Medicaid managed care in counties in which the waivers are approved by the federal Centers for Medicare and Medicaid Services..

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: The Family and Social Services Administration, Office of Medicaid Policy and Planning, and possibly the Indiana State Department of Health.

Local Agencies Affected:

Information Sources: Melanie Bella, Assistant Secretary, Office of Medicaid Policy and Planning, 317-233-4455.

Fiscal Analyst: Kathy Norris, 317-234-1360.